

Auditing Procedures Report

Reset Form

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Issued under Public Act 2 of 1968, as amended.

Unit Name	DeWitt Public Library	County	CLINTON	Type	LIBRARY	MuniCode	19-2-010
Opinion Date	November 7, 2008	Audit Submitted	November 18, 2008	Fiscal Year	June 30, 2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 591,650.00
General Fund Expenditure:	\$ 634,306.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 446,356.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Lamonte	Last Name	Lator	Ten Digit License Number	1101008801
CPA Street Address	544 Cherbourg Drive	City	Lansing	State	MI
				Zip Code	48917
CPA Firm Name	Maner, Costerisan & Ellis	Unit's Street Address	13101 Schavey Road	City	DeWitt
				Zip Code	48820

DEWITT PUBLIC LIBRARY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2008

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Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
DeWitt Public Library

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Public Library for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the DeWitt Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeWitt Public Library as of June 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages v through xi and page 12, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the DeWitt Public Library's basic financial statements. The additional information on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costantino & Ellis, P.C.

November 7, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeWitt Public Library (the Library), we offer readers of the DeWitt Public Library's financial statements this narrative overview and analysis of the financial activities of the DeWitt Public Library for the fiscal year ended June 30, 2008 and 2007.

FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$1,210,846 (net assets). Of this amount, \$448,259 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$64,811.
- As of the close of the current fiscal year, the Library's governmental fund reported ending fund balance of \$446,356, a decrease of \$42,656 in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$289,437, or 46 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 2 and 3 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 2 and 3 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 4 through 10 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 12. Additional information can be found on pages 14 and 15 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$1,210,846 at the close of the most recent fiscal year.

By far the largest portion of the Library's net assets (63 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that are still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

DeWitt Public Library's Net Assets

	Governmental activities	Governmental activities
	2008	2007
Current assets	\$ 482,041	\$ 528,271
Capital assets	762,587	784,627
Total assets	1,244,628	1,312,898
Liabilities	33,782	37,241
Net assets:		
Invested in capital assets, net of related debt	762,587	784,627
Unrestricted	448,259	491,030
Total net assets	\$ 1,210,846	\$ 1,275,657

The unrestricted net assets \$448,259 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets decreased by \$64,811 during the fiscal year, an improvement from the prior year decrease. Salaries increased by 4.5 percent primarily because of the opening of the satellite location and wage increases for salaried and hourly employees. Capital outlay expenditures were up \$25,754 primarily due to incurring costs to begin work on plans for the potential new library building and costs related to replacing three heating and air conditioning units. Contracted services declined by \$30,000 primarily because architect fees were incurred in the prior year.

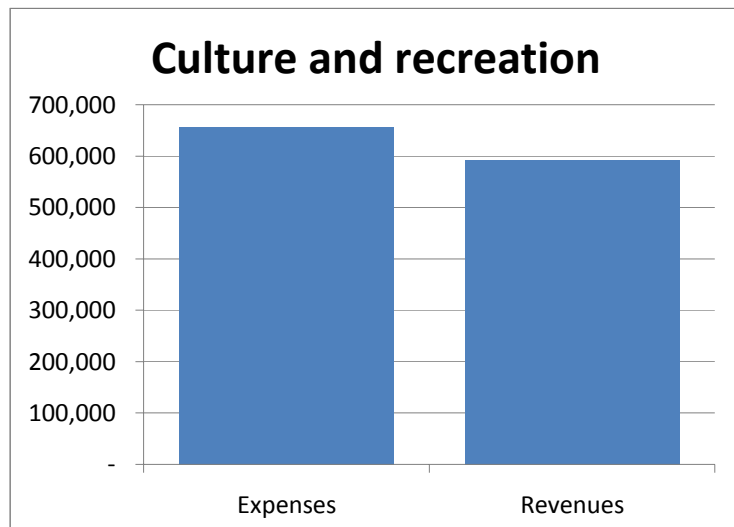
Governmental activities. Governmental activities decreased the Library's net assets by \$64,811, thereby the governmental activities accounted for 100 percent of the total decrease in the net assets of the Library. Key elements of this decrease are as follows:

DeWitt Public Library's Changes in Net Assets

	Governmental activities	Governmental activities
	2008	2007
Revenues:		
Charges for services	\$ 12,989	\$ 14,458
State aid	17,944	21,726
Property taxes	337,755	318,590
Penal fines	184,691	201,342
Photocopies	2,954	3,028
Investment earnings	8,423	6,907
Other	26,779	13,812
Total revenues	591,535	579,863
Expenses	656,346	653,017
Decrease in net assets	(64,811)	(73,154)
Net assets, beginning of year	1,275,657	1,348,811
Net assets, end of year	<u>\$ 1,210,846</u>	<u>\$ 1,275,657</u>

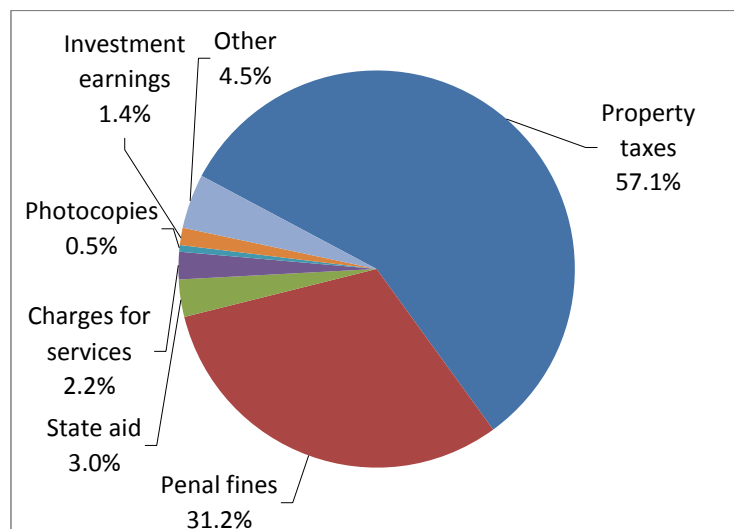
- Overall government activities revenue is up \$11,672 from the prior year. The increase in revenue is attributed to an overall increase in property values on which property taxes are assessed and an increase in penal fines.
- Expenses for governmental activities went from \$653,017 to \$656,346, an increase of \$3,329. Salaries increased by 4.5 percent primarily because of the opening of the satellite location and wage increases for salaried and hourly employees. Capital outlay expenditures were up \$25,845 primarily due to incurring costs to begin work on plans for the potential new library building and for costs related to replacing three heating and air conditioning units. Contracted services declined \$30,000 primarily because architect fees were incurred in the prior year.

2008
Expenses and Revenues – Governmental Activities



Revenues by Source – Governmental Activities

Total Revenues = \$591,535



For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Fund

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental fund reported ending fund balance of \$446,356, a decrease of \$42,656 in comparison with the prior year. Approximately two thirds of this total amount (\$289,437) constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed 1) to prepaid expenditures (\$6,919) or 2) designation for building and site (\$150,000).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$289,437, while total fund balance reached \$446,356. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46 percent of total general fund expenditures, while total fund balance represents 70 percent of that same amount.

The fund balance of the Library's general fund decreased by \$42,656 during fiscal year 2008. Key factors for this decrease are as follows:

- Revenues increased by only 1.2%.
- Expenses increased by 3.4% overall including costs of approximately \$26,000 related to the potential new library. Costs were also incurred of approximately \$10,000 to replace heating and air conditioning units. Salary increases of approximately 4.5% were incurred relating to the opening of the satellite location and wage increases for salary and hourly employees. Books and supplies also increased approximately \$15,000.

General Fund Budgetary Highlights - Adjust

- The original budget was increased upon approval of the costs related to the proposed library project.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$762,587 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and office equipment. The total decrease in the Library's investment in capital assets for the current fiscal year was 2.8 percent.

Major capital asset events during the current fiscal year included the following:

Purchase of:

- New library books and audio
- Three new heating and air conditioning units

DeWitt Public Library's Capital Assets (net of depreciation)

	<u>2008</u>		<u>2007</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Land	\$ 70,000	\$	\$ 70,000
Buildings and building improvements	534,377	137,574	399,977
Library books and videos	376,537	158,616	204,112
Furniture and office equipment	177,415	134,733	56,392
Office equipment	217,065	181,884	54,146
	<u>\$1,375,394</u>	<u>\$ 612,807</u>	<u>\$ 784,627</u>

Additional information on the Library's capital assets can be found in Note 4 on page 9 of this report.

Long-term debt. The Library does not have any long-term debt as of June 30, 2008.

Economic Factors and Next Year's Budgets and Rates

DeWitt Public Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the fiscal year 2009 that will promote several of the Library's activities and programs.

Requests for Information

This financial report is designed to provide a general overview of the DeWitt Public Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the DeWitt Public Library, 13101 Schavey Road, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

DEWITT PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2008

	Balance sheet general fund modified accrual basis	Adjustments	Statements of net assets
CURRENT ASSETS:			
Cash and cash equivalents	\$ 279,506	\$ -	\$ 279,506
State aid receivable	9,022	-	9,022
Taxes receivable - delinquent	1,903	-	1,903
Fines receivable - Clinton County	184,691	-	184,691
Prepaid expenses	6,919	-	6,919
TOTAL CURRENT ASSETS	482,041	-	482,041
CAPITAL ASSETS:			
Land	-	70,000	70,000
Other capital assets, net of accumulated depreciation	-	692,587	692,587
TOTAL CAPITAL ASSETS		762,587	762,587 ⁽¹⁾
TOTAL ASSETS	\$ 482,041	762,587	1,244,628
LIABILITIES:			
Accounts payable	\$ 14,717	-	14,717
Accrued salaries and related items	19,065	-	19,065
Deferred property tax revenue	1,903	(1,903) ⁽²⁾	-
TOTAL LIABILITIES	35,685	(1,903)	33,782
FUND BALANCE/NET ASSETS:			
Invested in capital assets, net of related debt	-	762,587	762,587
Reserved for prepaid expenditures	6,919	(6,919)	-
Designated for building and site	150,000	(150,000)	-
Unrestricted	289,437	158,822	448,259
TOTAL FUND BALANCE/NET ASSETS	446,356	\$ 764,490	\$ 1,210,846
TOTAL LIABILITIES AND FUND BALANCE	\$ 482,041		

⁽¹⁾ Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

⁽²⁾ Taxes receivable expected to be collected after September 1, 2008

**DEWITT PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES, AND CHANGES IN FUND
BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	Statement of revenue, expenditures and changes in fund balance/general fund/modified accrual basis	Adjustments	Statement of activities
REVENUES:			
State aid	\$ 17,944	\$ -	\$ 17,944
Property taxes	337,870	(115) ⁽¹⁾	337,755
Penal fines	184,691	-	184,691
Fines on books and videos	12,989	-	12,989
Photocopies	2,954	-	2,954
Investment income	8,423	-	8,423
Other	26,779	-	26,779
Total revenues	591,650	(115)	591,535
EXPENDITURES:			
Current:			
Salaries and wages	301,567	-	301,567
Payroll taxes	22,672	-	22,672
Personnel benefits and expenses	45,246	-	45,246
Books and supplies	102,688	(79,413) ⁽²⁾	23,275
Contractual services	28,574	-	28,574
Telephone and utilities	28,370	-	28,370
Insurance	5,302	-	5,302
Programming	8,450	-	8,450
Repairs and maintenance	21,898	-	21,898
Education and training	1,351	-	1,351
Public relations	12,118	-	12,118
State aid co-op	6,679	-	6,679
Miscellaneous	3,495	-	3,495
Capital outlay	45,896	(9,998) ⁽²⁾	35,898
Depreciation	-	111,451 ⁽²⁾	111,451
Total expenditures	634,306	22,040	656,346
Net change in fund balance/net assets	(42,656)	(22,155)	(64,811)
FUND BALANCE/NET ASSETS, beginning of year	489,012	786,645	1,275,657
FUND BALANCE/NET ASSETS, end of year	\$ 446,356	\$ 764,490	\$ 1,210,846

⁽¹⁾ Delinquent property taxes are reported on the accrual method in the statement of activities, and recorded as revenue when the financial resources are collected in the governmental fund. The adjustment represents funds expected to be collected after

⁽²⁾ Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Public Library is established in accordance with Michigan Public Act 24 of 1989, also known as The District Library Establishment Act. Its primary purpose is to establish, maintain, and operate a public library. The Library serves the residents of the City of DeWitt, DeWitt Charter Township and Watertown Charter Township. Each governing body respectively appoints three, three and one individual(s) to the seven member board.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library has no component units.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes are recognized as revenue the year for which they are levied. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash and cash equivalents includes amounts in petty cash, demand deposits and bank certificates of deposit. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value. Currently there are no investments.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

D. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the primary government, are depreciated using the straight-line method over the following estimated useful live:

<u>Assets</u>	<u>Years</u>
Building and improvements	7 - 40
Library books	5
Furniture and equipment	5 - 10

F. Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused sick leave, which is not paid to employees upon separation from the Library. Unused vacation lapses at the end of the Library's fiscal year. These amounts are not required to be accrued.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

G. Property Taxes

Property taxes levied by the Library are collected by various municipalities and periodically remitted to the Library. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is mid-February, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the Library levied the following amounts per \$1,000 of assessed valuation.

Fund	Mills
General Fund	0.4998

H. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end. Any variances from the adopted budget are highlighted on page 12.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Library does not utilize encumbrance accounting.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the adoption of a budget, a public hearing on the proposed budget is conducted within the requirements of the Budget Hearings of Local Governments Act, 1963 PA 43, MCL 141.411-141.415. Notice of the public hearing appears in a local paper at least six days prior to such hearing. The notice includes the time and place of the hearing as well as stating a place where a copy of the budget is available for public inspection.

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - LEGAL COMPLIANCE – BUDGETS (Concluded)

2. Any revisions of the budget must be approved by the Library Board.
3. The budget is legally enacted through board resolution, generally in May. The budget includes proposed expenditures and the means of financing them.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.
5. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Library Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
6. The budget is prepared by the activity level and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2008, the Library had no investments as defined by generally accepted accounting principles.

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2008, \$173,871 of the Library's bank balance of \$281,967 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The deposits are comprised of the following:

Deposits - checking, less reconciling items of \$2,461	\$ 169,301
Certificates of deposit	<u>110,205</u>
	<u><u>\$ 279,506</u></u>

The above amounts are reported in the financial statements as follows:

Cash and cash equivalents	<u><u>\$ 279,506</u></u>
---------------------------	--------------------------

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,000	\$	\$	\$ 70,000
Capital assets being depreciated:				
Building and building improvements	524,379	9,998		534,377
Library books and videos	414,385	79,414	117,262	376,537
Furniture and fixtures	177,415			177,415
Office equipment	217,065			217,065
Total capital assets, being depreciated	1,333,244	89,412	117,262	1,305,394
Less accumulated depreciation for:				
Building and building improvements	124,402	13,172		137,574
Library books and videos	210,273	65,605	117,262	158,616
Furniture and fixtures	121,023	13,709		134,732
Office equipment	162,919	18,966		181,885
Total accumulated depreciation	618,617	111,452	117,262	612,807
Total capital assets, being depreciated - net	714,627	(22,040)		692,587
Total capital assets	\$ 784,627	\$ (22,040)	\$	\$ 762,587

**DEWITT PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - PENSION PLANS

The Library has a defined contribution pension plan covering all eligible employees. The plan (SEP-IRA) was established by the Board of Trustees who reserves the right to amend all provisions. Plan assets are invested in separate employee accounts with a mutual fund under the provisions of Section 408(k) of the Internal Revenue Code.

The Plan, a defined contribution pension plan, provides pension contributions in return for services rendered, an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under the Plan, the benefits a participant will receive depend solely on the amount contributed and returns earned on the investment of those contributions.

The Plan requires the employer to contribute, with certain limitations, ten percent of the participating employee's gross wages on a fiscal year basis. Employer contributions for the year ended June 30, 2008 and 2007 amounted to \$13,265 and \$13,003, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2008 or any of the prior three years.

NOTE 7 - NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCE

Designations and reservations exist in the general fund for the following:

Designated - building and site improvements	\$ 150,000
Reserved - prepaid expenses	<u>6,919</u>
	<u><u>\$ 156,919</u></u>

NOTE 8 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REQUIRED SUPPLEMENTARY INFORMATION

**DEWITT PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES:				
Local sources:				
Property taxes	\$ 320,000	\$ 340,000	\$ 337,870	\$ (2,130)
Penal fines	185,000	200,000	184,691	(15,309)
Fines on books and videos	12,500	12,500	12,989	489
Photocopies	3,000	3,000	2,954	(46)
Investment income	1,500	1,500	8,423	6,923
Other	7,500	7,500	26,779	19,279
Total local sources	529,500	564,500	573,706	9,206
State sources	10,000	29,000	17,944	(11,056)
Total revenues	539,500	593,500	591,650	(1,850)
EXPENDITURES:				
Current:				
Salaries and wages	284,817	284,850	301,567	(16,717)
Payroll taxes	18,000	18,000	22,672	(4,672)
Personnel benefits and expenses	41,500	41,600	45,246	(3,646)
Books and supplies	101,033	112,000	102,688	9,312
Contractual services	22,500	29,000	28,574	426
Telephone and utilities	28,750	29,150	28,370	780
Insurance	7,750	7,750	5,302	2,448
Programming	6,000	7,000	8,450	(1,450)
Repairs and maintenance	30,750	20,750	21,898	(1,148)
Education and training	3,000	3,000	1,351	1,649
Public relations	7,500	10,500	12,118	(1,618)
State aid co-op	5,000	20,000	6,679	13,321
Miscellaneous	2,900	3,450	3,495	(45)
Capital outlay	-	46,450	45,896	554
Total expenditures	559,500	633,500	634,306	(806)
NET CHANGE IN FUND BALANCE	<u><u>\$ (20,000)</u></u>	<u><u>\$ (40,000)</u></u>	<u>(42,656)</u>	<u><u>\$ (2,656)</u></u>
FUND BALANCE:				
Beginning of year			<u>489,012</u>	
End of year			<u><u>\$ 446,356</u></u>	

ADDITIONAL INFORMATION

**DEWITT PUBLIC LIBRARY
GENERAL FUND
BALANCE SHEETS
JUNE 30, 2008 AND 2007**

ASSETS	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 279,506	\$ 300,501
State aid receivable	9,022	10,819
Taxes receivable - delinquent	1,903	2,018
Fines receivable - Clinton County	184,691	201,342
Prepaid expenses	<u>6,919</u>	<u>13,591</u>
TOTAL ASSETS	<u><u>\$ 482,041</u></u>	<u><u>\$ 528,271</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 14,717	\$ 24,710
Accrued salaries and related items	19,065	12,531
Deferred property tax revenue	<u>1,903</u>	<u>2,018</u>
TOTAL LIABILITIES	<u>35,685</u>	<u>39,259</u>
 FUND BALANCE:		
Reserved for prepaid expenses	6,919	13,591
Designated - building and site	150,000	150,000
Unreserved/undesignated	<u>289,437</u>	<u>325,421</u>
TOTAL FUND BALANCE	<u>446,356</u>	<u>489,012</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 482,041</u></u>	<u><u>\$ 528,271</u></u>



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Bruce J. Dunn
Jeffrey C. Stevens
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Steven W. Scott
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Timothy H. Adams
David B. Caldwell
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Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

November 7, 2008

To the board of Trustees
DeWitt Public Library

In planning and performing our audit of the financial statements of DeWitt Public Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered DeWitt Public Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control. We believe that the following deficiencies constitute material weaknesses:

Preparation of Financial Statements

Currently, the Library contracts for preparation of the interim and preliminary annual nondisclosure financial statements. Effective for the year ended June 30, 2008 and 2007, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate that the Library does not have staff with qualifications to prepare annual financial statements together with related footnotes in accordance with generally accepted accounting principles. The Library relies on us to assist in preparing the annual financial statements and to propose certain year-end adjustments.

We believe this weakness will exist in future years as well. We do not recommend any changes at this time and communicate this as required by professional standards.

In addition, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 7, 2008 on the financial statements of DeWitt Public Library. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Prior Year Repeat Comments

Excess Budget Expenditures

We noted that actual expenditures exceeded that of the adopted budget. If expenditures are to exceed budgeted amounts, the budget must be amended. The amendment must be approved by the Board prior to the expenditure being made. The budget may not be amended after year-end. You may wish to have your contracted accountant assist you with this process.

Current Year Comments

Payroll Authorization

While performing various procedures related to payroll we noted that payroll rates are not authorized in writing for new employees. All existing employee rates are authorized in writing at the time of the employees review, but new employees do not have any type of written rate on file. We recommend that the library director approve all personnel rates for new hires.

Payroll Review

During the course of the audit, we noticed that payroll amounts paid to employees electing direct deposit were not reviewed for every pay. We recommend that the "Condensed Payroll Journals" be reviewed and approved by the board president or treasurer at the time live payroll checks are signed to ensure direct deposit employees are properly paid.

Bank Reconciliations

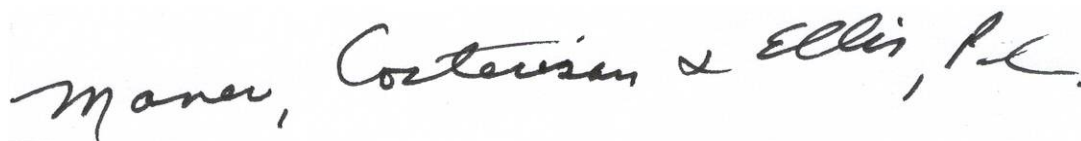
While performing audit procedures, we noted that bank reconciliations are not stored for subsequent review. We recommend that all bank reconciliations be printed and filed with bank statements.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of DeWitt Public Library, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costantino & Ellis, P.C." The signature is written in a cursive, flowing style.



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November 7, 2008

To the Board of Trustees
DeWitt Public Library

We have audited the financial statements of DeWitt Public Library for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 8, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by DeWitt Public Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Journal entries made as a result of our audit were as follows:

1.) Salaries	\$ 6,434
2.) Interest income	\$ 5,205
3.) Other	<u>\$ 8</u>
Increase in fund balance/net assets	\$11,639

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2008.

Management Consultations with Other Independent Accountants

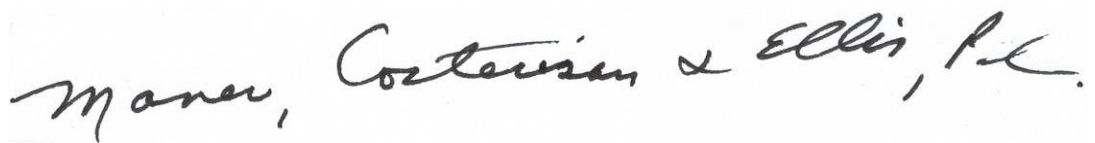
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of DeWitt Public Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Maner, Costantino & Ellis, P.C." The signature is written in a cursive, flowing style.

**DEWITT PUBLIC LIBRARY
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
REVENUES:		
State aid	\$ 17,944	\$ 21,726
Property taxes	337,870	318,321
Penal fines	184,691	201,342
Fines on books and videos	12,989	14,458
Photocopies	2,954	3,028
Investment income	8,423	6,907
Other	<u>26,779</u>	<u>13,812</u>
Total revenues	<u>591,650</u>	<u>579,594</u>
EXPENDITURES:		
Current:		
Salaries and wages	301,567	288,494
Payroll taxes	22,672	21,611
Personnel benefits and expenses	45,246	45,059
Books and supplies	102,688	88,331
Contractual services	28,574	58,877
Telephone and utilities	28,370	25,126
Insurance	5,302	7,687
Programming	8,450	7,020
Repairs and maintenance	21,898	32,124
Education and training	1,351	3,020
Public relations	12,118	6,289
State aid co-op	6,679	10,863
Miscellaneous	3,495	5,390
Capital outlay	<u>45,896</u>	<u>13,703</u>
Total expenditures	<u>634,306</u>	<u>613,594</u>
Net change in fund balance	(42,656)	(34,000)
FUND BALANCE, beginning of year	<u>489,012</u>	<u>523,012</u>
FUND BALANCE, end of year	<u><u>\$ 446,356</u></u>	<u><u>\$ 489,012</u></u>